

## DOCUMENT RESUME

ED 474 810

HE 035 725

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TITLE Performance Reporting: The Preferred "No Cost" Accountability Program--The Sixth Annual Report.  
INSTITUTION State Univ. of New York, Albany. Nelson A. Rockefeller Inst. of Government.  
PUB DATE 2002-00-00  
NOTE 36p.; For the fifth annual survey, see ED 456 781.  
PUB TYPE Reports - Research (143) -- Tests/Questionnaires (160)  
EDRS PRICE EDRS Price MF01 Plus Postage. PC Not Available from EDRS  
DESCRIPTORS \*Budgets; \*Educational Finance; Higher Education; \*Public Colleges; Questionnaires; \*Reports; School Effectiveness; State Legislation; Surveys  
IDENTIFIERS Performance Budgeting; \*Performance Funding

## ABSTRACT

This report presents information from the Sixth Annual Survey of State Higher Education Officers, and once again provides information on performance funding, budgeting, and reporting in all 50 states. Survey results show the triumph of performance reporting and the trials of performance budgeting and funding. The bad budgets for higher education that were revealed in the previous survey spurred the rapid advance of performance reporting and stifled the steady climb of performance budgeting and funding. Nearly 90% of states now have some form of performance reporting, an increase of nearly 50% in the past 2 years. Survey results suggest that a number of state legislators see performance reporting as a "no cost" alternative to performance funding and budgeting. The survey results this year show some slippage in support for performance budgeting and performance funding. While last year it looked as though tight budgets might encourage performance funding, this year, the state budgets for higher education became so bad that legislators balked at allocating even small sums to campus performance. In 1999 the survey included questions about the third leg of accountability for higher education, performance reporting. Performance funding, budgeting, and reporting represent the main methods of assuring state accountability for public higher education. Findings from this year's survey suggest that state policymakers increasingly view publicizing results (performance reporting) as a sufficient consequence without the need for budgeting or funding. One appendix contains a chart of state performance budgeting plans, and the other contains the survey. (Contains 18 tables and 17 references.) (Author/SLD)

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# Performance Reporting: The Preferred "No Cost" Accountability Program The Sixth Annual Report



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HE035725

**Performance Reporting:  
The Preferred “No Cost” Accountability Program  
The Sixth Annual Report**

*Joseph C. Burke and Henrik Minassians*

Higher Education Program

**The Nelson A. Rockefeller Institute of Government**  
State University of New York  
Albany, New York  
2002

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*Joseph C. Burke and Henrik Minassians*

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# Performance Reporting: The Preferred "No Cost" Accountability Program The Sixth Annual Report\*

Joseph C. Burke and Henrik P. Minassians

## § Introduction

The Sixth Annual Survey of State Higher Education Finance Officers (SHEFOs) shows the triumph of performance reporting and the trials of performance budgeting and funding. The bad budgets for higher education that emerged after our 2001 Survey spurred the rapid advance of performance reporting and stifled the steady climb of performance budgeting and funding. Nearly 90 percent of the states by now have some form of performance reporting, a leap of nearly 50 percent in just two years. Publication of *Measuring Up 2000 — the State-By-State Report Card on Higher Education* renewed interest in performance reporting, but bad budgets in 2001 and 2002 added another argument for adoption (The National Center 2000). SHEFOs suggest that a number of state legislators see performance reporting as a "no cost" alternative to performance funding and budgeting.

This year's Survey results reveal some slippage in support for performance budgeting and performance funding. For the first time, since the Surveys began in 1997, the steady increase in the number of performance funding initiatives stopped, as one state dropped its effort. The decline of performance budgeting, which began 2001, continued in 2002. Last year, it looked as though tight budgets might encourage performance funding (Burke and Minassians 2001). This year, state budgets for higher education became so bad that legislators balked at allocating even small sums to campus performance.

In the 1990s, some policy makers felt, while others feared, that performance reporting would lead inevitably to performance budgeting or funding. Reporting seemed merely the initial stage on a path to budgeting and funding, which carried — or at least considered — financial consequences for good or poor performance. The SHEFO responses this year reveal that bad budgets have reversed this perception. They indicate that some state leaders — especially legislators — believe that performance reporting gives the "same bang in accountability for no bucks in budgeting."

We began our Surveys in 1997 based on the belief that the maxim of "what gets measured is what gets valued" was really only half right. The drive for accountability in the 1990s convinced us that only what gets "funded," "budgeted," or "reported" attracts attention on college campuses and in state capitals. The telephone Surveys first questioned SHEFOs on the existence or interest in performance budgeting and performance funding in the 50 states (Burke and Serban 1997). From the beginning, we sought — with far from full success — to differentiate "performance funding" and "performance budgeting," based on the direct as opposed to indirect connection of state allocations to campus performance. The task over time has become ever more trying, since new initiatives borrowed from both programs (Burke, Rosen, Minassians, and Lessard 2000.)

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\* Study supported by the Ford Foundation.

In 1999, we added questions on the third leg of accountability for higher education — performance reporting (Burke and Modarresi 1999). Performance funding, budgeting, and reporting represent the main methods of assuring state accountability for public higher education in a decentralized era of managing for results rather than controlling by regulations. Although the relative popularity among these performance policies shifts with changing conditions in state revenues and campus funding, the surveys show a surge toward accountability across the country (Burke and Minassians 2002). Today only Delaware and Montana have no performance program. State after state accepted the need for accountability, although the preferred approach to achieving this elusive goal remained in doubt until the last year. This year's survey stressed the economic advantage of performance reporting, based on the perception that it achieved accountability at no cost. Apparently, state policy makers increasingly viewed publicizing results as a sufficient consequence without the need for budgeting or funding.

### § Performance Programs Prevail

The rise in performance reporting represents the real phenomenon of this year's survey. It gained five new programs since 2001 and grew by 14 in just two years. Publication of *Measuring Up 2000* on November 30 obviously stirred interest in performance reporting. No less than 44 states (88%) now have performance reporting, up from 25 in 1999 — a 76 percent increase in four years. A comparison with performance budgeting shows the swift spread of performance reporting. Performance budgeting had 23 programs in 1999 — just two fewer than performance reporting. Performance budgeting rose to 28 in 2000 but fell to 26 programs this year. Despite this decline, performance budgeting still enjoyed an increase of 63 percent, since 1997. Although performance funding dropped from 19 programs in 2001 to 18 this year, it recorded an 80 percent increase from the start of our Surveys. The popularity of performance reporting and to a lesser extent performance budgeting stems in part from the perception that they assess results without the controversy of requiring cuts in campus allocations or the necessity of providing additional funding.

To date, performance programs appear to come in combinations. Nine states have all three programs, although down from 10 in 2001. Fourteen of the States with performance budgeting and eight with performance funding also have performance reporting. New York (The SUNY System) alone has only performance funding, while just Arkansas, Nebraska, and Nevada have only performance budgeting. Nearly two-thirds of the 44 states with performance reporting also have at least one other performance program. The group with only performance reporting will probably increase if bad budgets persist and policy makers continue to believe that reporting gives the same benefits without the cost of performance funding and budgeting. This year's results supply some supporting evidence for this prediction. Two of the five new reporting initiatives this year come in states with no other performance program. Moreover, only one of those five (Oklahoma) had performance funding that requires state allocations.

### § The Questionnaire

Staff of the Higher Education Program at the Rockefeller Institute of Government has conducted telephone surveys of SHEFOs or their designees for the last six years, with an annual response rate of 100 percent. Previous polls came in June and July, while the Sixth Survey occurred in August. The questions focus on the current status, future prospects, and perceived impact of performance funding, budgeting, and reporting in the 50 states. (See Appendix for the questionnaire B.)

The interviews begin with definitions that distinguish the performance funding from performance budgeting. The questioner then asks whether a state currently has performance funding, budgeting, or reporting. If it has one or more of these programs, the interviewer asks the finance officer to predict whether the program or programs will continue for the next five years. If no program exists, the question changes to the likelihood of adopting the policy. "Highly likely," "likely," "unlikely," "highly unlikely," and "cannot predict" constitute the choices for all of these questions. Interviews also ask whether legislation mandates performance funding, budgeting, or reporting and whether it prescribes their indicators. In addition, respondents identify the primary initiator of these programs, choosing from governor, legislature, coordinating or governing board, university or college systems, or "other." Two years ago, the survey started asking respondents to assess the effect of the three programs on improving campus performance. The options offered are "great," "considerable," "moderate," "minimal," "no extent," or "cannot assess" the extent. (See Appendix for the 2002 Survey B.)

## § Performance Budgeting and Performance Funding

Performance funding and budgeting add institutional performance to the traditional considerations in state allocations to public colleges and universities of current costs, student enrollments, and inflationary increases. The latter represent input factors that ignore outputs and outcomes, such as the quantity and quality of graduates and the range and benefits of services to states and society. Some states previously adopted programs that front-ended funding to encourage desired campus activities, which we call initiative funding. Performance funding and budgeting depart from these earlier efforts by allocating resources for achieved rather than promised results (Burke and Serban 1998a; Burke and Associates 2002).

The authors of previous surveys and studies did not clearly distinguish what we call "performance funding" from "performance budgeting" and often used the terms interchangeably (Christal 1998; McKeown 1996). Lack of clear definitions led policy makers to confuse these two concepts. Although earlier surveys identify a generic direction in budgeting, they fail to clarify how state governments, coordinating boards, or college and university systems actually use campus achievements on performance indicators in the budgeting process.

Our annual surveys distinguish performance funding from performance budgeting by using the following definitions:

- **Performance funding** ties specified state funding directly and tightly to the performance of public campuses on individual indicators. Performance funding focuses on the distribution phase of the budget process.
- **Performance budgeting** allows governors, legislators, and coordinating or system boards to consider campus achievement on performance indicators as *one factor* in determining allocations for public campuses. Performance budgeting concentrates on budget preparation and presentation, and often neglects, or even ignores, the distribution phase of budgeting.

In performance funding, the relationship between funding and performance is tight, automatic, and formulaic. If a public achieves a prescribed target or an improvement level on defined indicators, it receives a designated amount or percent of state funding. In performance budgeting, the possibility of additional funding due to good or improved performance depends solely on the judgment and discretion of state, coordinating, or system officials. Performance funding ties state funding directly and tightly to performance, while performance budgeting links state budgets indirectly and loosely to results.

The advantages and disadvantages of each is the reverse of the other. Performance budgeting is flexible but uncertain. Performance funding is certain but inflexible. Despite these definitions, confusion often arises in distinguishing the two programs. Moreover, at times, the connection between state budgets and campus performance in performance budgeting almost disappears.

Performance budgeting offers political advantages to policy makers that may explain its preference over performance funding in state capitals. Performance funding produces fiscal consequences at the cost of campus controversies. State legislators may champion, in theory, altering campus budgets based on institutional performance, but they often resist, in practice, programs that may result in budget losses to colleges or universities in their home districts. Performance budgeting offers a political resolution of this troublesome dilemma. Policy makers can gain credit for considering performance in budgeting without provoking controversy by actually altering campus allocations.

Performance funding and performance budgeting do not suggest that campus performance is replacing traditional considerations in state budgeting for public colleges and universities. Current costs, student enrollments, and inflationary increases will — and should — continue to dominate such funding, since these factors represent real workload measures. The loose link between performance and budgeting in the case of performance budgeting, and the relatively small sums provided in performance funding, mean that both programs have only a marginal impact on campus budgets. However, the current programs of performance budgeting and funding seem to indicate — at least until this year — the growing sense in state capitals — but not on public campuses — that performance should somehow count in state budgeting for public higher education. The new sense from SHEFOs that state legislators are beginning to see performance reporting as a no cost alternative approach to accountability gives it an obvious edge over performance budgeting.

## § Methods of Initiation

Three methods exist for initiating performance funding, budgeting, and reporting.

- **Mandated/Prescribed:** legislation mandates the program and prescribes the indicators.
- **Mandated/Not Prescribed:** legislation mandates the program but allows state-coordinating agencies in cooperation with campus leaders to propose the indicators.
- **Not Mandated:** coordinating or system boards in collaboration with campus officials voluntarily adopt the plan without legislation.

Legislation mandated many of the early programs in performance funding; and in many cases also prescribed the indicators. Now over 60 percent of the funding programs are not mandated and 78 percent are not prescribed. Performance reporting has an equal number of mandated and non-mandated programs, but just two of the 44 plans prescribe the indicators. Performance budgeting is also equally divided between mandated and not mandated programs, and just one of its 26 initiatives prescribes the performance indicators.

Mandates, and especially prescriptions clearly undermine program stability. They are imposed from state capitals and ignore the importance of consultation with coordinating, system, and campus leaders. On the other hand, Not Mandated programs can leave state policy makers without a sense of ownership of the initiatives. No consultation means no consent, especially on college campuses and in state capitals. New management theories suggest that government officials should decide state policy directions for public higher education and evaluate performance, but leave the method of achieving designated goals to coordinating, college and university system, and campus officers. (See Appendix A for the dates and methods of initiation.)

## § Performance Funding

Last year, the start of new programs in performance funding in Arkansas and Idaho and the predicted re-adoption in Kentucky suggested a revival of performance funding. The addition of two new programs, stability in current programs, and some slide in policies of performance budgeting led us to suggest that bad budgets might favor performance funding over performance budgeting (Burke and Minassians 2001).

This year, steep budget shortfalls hurt both performance funding and budgeting and helped performance reporting. Performance funding had a net loss of one program, going from 19 to 18. It also showed renewed volatility. Oklahoma launched a new effort, but budget problems led Arkansas and the Community College System in California to drop their funding projects. Last year the SHEFO from California said he could not predict whether the Community Colleges would continue performance funding. This year's Survey gave the answer. California Community College System abandoned the program, because the state no longer promised increased funding.

In addition, the Arkansas legislature decided to shift from performance funding to performance budgeting to avoid the requirement of providing increased funding due to improved performance. Public higher education in Arkansas suffered two budget rescissions in FY 2001-02 and no increase in FY 2002-03 budget (Schmidt 2002). It dropped performance funding because a depressed budget for public colleges and universities left no money for the required allocations. This shift suggests a return to the traditional instability of performance funding (Burke and Serban 1998b; Burke and Associates 2002). Arkansas originally adopted the program in 1994, abandoned it in 1997, renewed it in 2001, and shifted to performance budgeting in 2002.

Our Fifth Survey Report in July of 2001 predicted that relating state resources to campus results through either performance funding or budgeting represented a trend. This Year's Survey raises considerable doubts about that prediction. Last year, it seemed that the mild recession that began in 2000 actually increased the number of states adopting the program. The budget rescissions during FY 2001-02 and the severe budget reductions for FY 2002-03 have led to slight reductions in both Performance Funding and Performance Budgeting. Tight budgets may encourage performance funding that allocates usually small sums automatically, but steep shortfalls clearly work against the program.

Statistics on the likelihood of continuing existing programs show surprisingly that SHEFOs consider more states highly likely to retain performance funding than the previous year. But a disturbing note is the prediction that Missouri is unlikely to continue its long-time initiative. Observers often cite this program as one of the most successful and stable efforts at tying state funding to campus results in the country (Burke and Modarresi 2000; Burke and Associates 2002). Abandonment of performance funding by Missouri could start a trend away from the program. Again, reduced budgets are the culprit.

A number of states, including Missouri, New York, Ohio, and South Carolina, have kept the program this year, but suspended all or some of its funding. Suspension of funding can work for perhaps a year but longer periods spell problems for initiatives that tie resources to performance. The prediction of unlikely to continue for Missouri is unsettling. Although SHEFOs on a few occasions have said they could not predict the future of performance funding in one or two states, this is first time in the six years of our survey that a finance officer called continuance of a performance funding program unlikely. The move of Ohio and New Jersey from likely to continue to cannot predict also spells trouble for performance funding should the budget problems persist.

**Table 1. States with Performance Funding**

| Surveys              | Number<br>(Percentage) | States                                                                                                                                                                                                   |
|----------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First<br>April, 1997 | 10 states<br>(20%)     | Colorado, Connecticut, Florida, Kentucky, Minnesota, Missouri, Ohio, South Carolina, Tennessee, Washington                                                                                               |
| Second<br>June, 1998 | 13 states<br>(26%)     | Colorado, Connecticut, Florida, Illinois*, Indiana, Louisiana, Missouri, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Washington                                                             |
| Third<br>June, 1999  | 16 states<br>(32%)     | California*, Connecticut, Florida, Illinois*, Kansas, Louisiana, Missouri, New Jersey, New York**, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia                              |
| Fourth<br>June, 2000 | 17 states<br>(34%)     | California*, Colorado, Connecticut, Florida, Illinois*, Kansas, Louisiana, Missouri, New Jersey, New York**, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas                |
| Fifth<br>2001        | 19 states<br>(38%)     | Arkansas, California*, Colorado, Connecticut, Florida, Idaho, Illinois*, Kansas, Louisiana, Missouri, New Jersey, New York**, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas |
| Sixth<br>2002        | 18 States<br>(36%)     | Colorado, Connecticut, Florida, Idaho, Illinois*, Kansas, Louisiana, Missouri, New Jersey, New York**, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas              |

\* 2-year colleges only

\*\* State University System Only

**Table 2. Likelihood of Continuing Performance Funding**

| 2001           |               |                                                                                                                      |
|----------------|---------------|----------------------------------------------------------------------------------------------------------------------|
| Highly Likely  | 37%<br>(7)    | Colorado, Florida, Idaho, Illinois, Pennsylvania, Tennessee, Texas                                                   |
| Likely         | 58%<br>(11)   | Arkansas, Connecticut, Kansas, Louisiana, Missouri, New Jersey, New York, Ohio, Oregon, South Carolina, South Dakota |
| Cannot Predict | 5%<br>(1)     | California                                                                                                           |
| 2002           |               |                                                                                                                      |
| Highly Likely  | 55.6%<br>(10) | Colorado, Connecticut, Florida, Idaho, Louisiana, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas             |
| Likely         | 27.8%<br>(5)  | Illinois, Kansas, New York, Oregon, South Carolina                                                                   |
| Unlikely       | 5.6%<br>(1)   | Missouri                                                                                                             |
| Cannot Predict | 11.1%<br>(2)  | New Jersey, Ohio                                                                                                     |

Table 3 on the likelihood of adopting performance funding also suggests problems for the program's future. Kentucky listed as highly likely to adopt performance funding last year has moved all the way to highly unlikely. Wisconsin has gone from likely to highly unlikely, Utah from likely to unlikely, and Virginia from likely to cannot predict. West Virginia also slipped from highly likely to only likely. Moreover, states in the highly unlikely to adopt category have doubled and those in the cannot predict have declined. In a single year the prospects for performance funding fell from three states highly likely to adopt to none. Clearly, budget problems in the states have stopped the growth of performance funding and threatened its future prospects.

**Table 3. Likelihood of Adopting Performance Funding\***

| <b>2001</b>                                                                 |               |                                                                                                                                |
|-----------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------------------------------|
| Highly Likely                                                               | 9.5%<br>(3)   | Kentucky, Oklahoma, West Virginia                                                                                              |
| Likely                                                                      | 13%<br>(4)    | Alaska, Utah, Virginia, Wisconsin                                                                                              |
| Unlikely                                                                    | 26%<br>(8)    | Arizona, Indiana, Maryland, Nebraska, Nevada, New Mexico, Washington, Wyoming                                                  |
| Highly Unlikely                                                             | 16%<br>(5)    | Delaware, Iowa, Montana, New Hampshire, North Dakota                                                                           |
| Cannot Judge                                                                | 35.5%<br>(11) | Alabama, Georgia, Hawaii, Maine, Massachusetts, Michigan, Minnesota, Mississippi, North Carolina, Rhode Island, Vermont        |
| <b>2002</b>                                                                 |               |                                                                                                                                |
| Likely                                                                      | 6.3%<br>(2)   | Alaska, West Virginia                                                                                                          |
| Unlikely                                                                    | 28.1%<br>(9)  | Georgia, Maryland, Mississippi, Montana, North Carolina, Utah, Vermont, Washington, Wyoming                                    |
| Highly Unlikely                                                             | 37.0%<br>(12) | Alabama, Arizona, California, Delaware, Iowa, Kentucky, Nebraska, Nevada, New Hampshire, North Dakota, Rhode Island, Wisconsin |
| Cannot Judge                                                                | 28.1%<br>(9)  | Arkansas, Hawaii, Indiana, Maine, Massachusetts, Michigan, Minnesota, New Mexico, Virginia                                     |
| * Percent based on the number of states without Performance Funding program |               |                                                                                                                                |

## § Performance Budgeting

The number of states with performance budgeting rose steadily from 1997 to 2000, moving from 16 to 28 states, with a net annual increase of three programs (Table 4). In 2001, it recorded a net loss of one program, followed by another this year. Although performance budgeting had tended to remain fairly stable, in 2002 Arkansas and Vermont adopted the program, but Alabama, Oregon, and Washington abandoned it. Arkansas dropped its new program in performance funding for an experimental budgeting program adopted for 10 state agencies and for public higher education. Alabama launched a pilot project of performance budgeting last year, but this year the legislature eliminated the program due to a budget shortfall. Oregon and Washington leaders felt that the bad budgets left no money for consideration of performance. Instead, they opted for performance reporting, which stresses accountability for results without paying for performance.

*Table 4. States with Performance Budgeting*

| Surveys        | Number<br>(Percentage) | States                                                                                                                                                                                                                                                                              |
|----------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First<br>1997  | 16 states<br>(32%)     | Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Mississippi, Nebraska, North Carolina, Oklahoma, Rhode Island, Texas, West Virginia                                                                                                                     |
| Second<br>1998 | 21 states<br>(42%)     | Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Nebraska, North Carolina, Oklahoma, Oregon, Rhode Island, South Dakota, Texas, Washington, West Virginia                                                                 |
| Third<br>1999  | 23 states<br>(46%)     | Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Nebraska, New Jersey, New Mexico, North Carolina, Oklahoma, Oregon, Texas, Virginia, Washington, West Virginia                                            |
| Fourth<br>2000 | 28 states<br>(56%)     | Alabama, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Oklahoma, Oregon, Texas, Utah, Virginia, Wisconsin |
| Fifth<br>2001  | 27 states<br>(54%)     | Alabama, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, Texas, Utah, Virginia, Washington, Wisconsin.               |
| Sixth<br>2002  | 26 states<br>(52%)     | Arkansas, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Texas, Utah, Vermont, Virginia, Wisconsin                          |

Table 5 also suggests a slide in the certainty of continuing performance budgeting since last year. Replies in the highly likely to continue column slid from 63 percent to 50 percent, with the difference going to likely. None of the states without performance budgeting are claimed as highly likely to adopt it, although four states — two more than last year — are considered likely to do so. The number of states considered highly unlikely to adopt it declined, but those unlikely to adopt it have doubled. The response of cannot predict dropped significantly. The statistics on continuance or adoption suggest slippage in future support for performance budgeting.

**Table 5. Likelihood of Continuing Performance Budgeting**

| <b>2001</b>   |               |                                                                                                                                                                    |
|---------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Highly Likely | 63%<br>(17)   | Connecticut, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Michigan, Mississippi, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Texas, Utah, Virginia |
| Likely        | 26%<br>(7)    | Alabama, California, Hawaii, Maryland, Missouri, Oregon, Wisconsin                                                                                                 |
| Cannot Judge  | 11%<br>(3)    | Florida, Georgia, Washington                                                                                                                                       |
| <b>2002</b>   |               |                                                                                                                                                                    |
| Highly Likely | 50%<br>(13)   | Connecticut, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Michigan, Mississippi, Nevada, North Carolina, Oklahoma, Utah                                      |
| Likely        | 38.5%<br>(10) | California, Florida, Hawaii, Maine, Maryland, Nebraska, New Mexico, Texas, Vermont, Wisconsin                                                                      |
| Cannot Judge  | 11.5%<br>(3)  | Arkansas, Missouri, Virginia                                                                                                                                       |

**Table 6. Likelihood of Adopting Performance Budgeting\***

| <b>2001</b>                                                                    |              |                                                                                                                                            |
|--------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Likely                                                                         | 9%<br>(2)    | Alaska, West Virginia                                                                                                                      |
| Unlikely                                                                       | 17%<br>(4)   | Delaware, Montana, New York, South Carolina                                                                                                |
| Highly Unlikely                                                                | 17%<br>(4)   | Arizona, New Hampshire, North Dakota, Rhode Island                                                                                         |
| Cannot Predict                                                                 | 57%<br>(13)  | Arkansas, Colorado, Indiana, Kentucky, Massachusetts, Minnesota, New Jersey, Ohio, Pennsylvania, South Dakota, Tennessee, Vermont, Wyoming |
| <b>2002</b>                                                                    |              |                                                                                                                                            |
| Likely                                                                         | 16.7%<br>(4) | Alaska, Montana, Tennessee, West Virginia                                                                                                  |
| Unlikely                                                                       | 33.3%<br>(8) | Alabama, Arizona, Delaware, Kentucky, North Dakota, Rhode Island, South Carolina, Washington                                               |
| Highly Unlikely                                                                | 12.5%<br>(3) | Colorado, New York, South Dakota                                                                                                           |
| Cannot Predict                                                                 | 37.5%<br>(9) | Indiana, Massachusetts, Minnesota, New Hampshire, New Jersey, Ohio, Oregon, Pennsylvania, Wyoming                                          |
| * Percent based on the number of states without Performance Budgeting program. |              |                                                                                                                                            |

As expected in a period of revenue shortfalls, Table 7 also suggests some slide in the perceived effect of performance budgeting on campus funding. Although the SHEFOs sense of impact remains from moderate to minimal, the move is clearly downward. SHEFOs say the current recession and budget shortfalls produced this reduction, which is likely to continue to drop if fiscal problems persist.

**Table 7. Effect of Performance Budgeting on Funding**

| <b>2001</b>            |              |                                                                                             |
|------------------------|--------------|---------------------------------------------------------------------------------------------|
| Considerable Extent    | 11%<br>(3)   | Hawaii, Illinois, Missouri                                                                  |
| Moderate Extent        | 37%<br>(10)  | Connecticut, Florida, Idaho, Louisiana, Maine, Maryland, Michigan, Nevada, Oregon, Utah     |
| Minimal Extent         | 26%<br>(7)   | California, Iowa, Mississippi, Nebraska, North Carolina, Virginia, Washington               |
| No Extent              | 11%<br>(3)   | Alabama, New Mexico, Wisconsin                                                              |
| Cannot Judge           | 15%<br>(4)   | Georgia, Kansas, Oklahoma, Texas                                                            |
| <b>2002</b>            |              |                                                                                             |
| Considerable Extent    | 3.8%<br>(1)  | Illinois                                                                                    |
| Moderate Extent        | 34.6%<br>(9) | California, Hawaii, Idaho, Louisiana, Maryland, Michigan, Oklahoma, Utah, Vermont           |
| Minimal Extent         | 34.6%<br>(9) | Connecticut, Florida, Georgia, Kansas, Missouri, Nebraska, Nevada, North Carolina, Virginia |
| No Extent              | 15.4%<br>(4) | Iowa, Mississippi, New Mexico, Wisconsin                                                    |
| Cannot Judge/No Answer | 11.5%<br>(3) | Arkansas, Maine, Texas                                                                      |

The last two SHEFO Reports noted some convergence between performance budgeting and funding, as many of the new budgeting programs earmarked specific sums for state allocation for campus results (Burke, Rosen, Minassians, and Lessard 2000). Specified funding in budgeting erased the major distinction between the two performance programs. The SHEFO responses in 2002 suggest that budget problems may have stopped this movement. Just four of the 26 states with performance budgeting earmark dollars for performance. Indeed, performance budgeting at a time of restrained funding may be moving closer to performance reporting, which has no official link to state funding. In performance budgeting, policy makers merely consider performance for funding, without the necessity of actually making allocations.

**Table 8. Does Performance Budgeting Earmark Dollar Amount or percent of state support 2002**

|     |               |                                                                                                                                                                                                                    |
|-----|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yes | 15.4%<br>(4)  | California, Louisiana, Missouri, Texas                                                                                                                                                                             |
| No  | 84.6%<br>(22) | Arkansas, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maine, Maryland, Michigan, Mississippi, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Utah, Vermont, Virginia, Wisconsin |

Over the years, the movement to mandate performance budgeting for all or some state agencies fostered its increase in higher education. This year, the number of states with performance budgeting for their agencies increased from 25 to 27. This overall statistic conceals considerable volatility. Actually five states eliminated performance budgeting for their agencies, while seven added the program. This volatility may restrict the growth of performance budgeting, since 85 percent of its programs for higher education come in states with this policy for government agencies.

**Table 9. States with Performance Budgeting for State Agencies**

| 2001                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alabama, Arizona, Arkansas, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, Oklahoma, South Dakota, Tennessee, Texas, Virginia, Washington, Wisconsin |
| 2002                                                                                                                                                                                                                                                             |
| Alabama, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, Vermont, Virginia, Wisconsin       |

## § State Report Cards Spur Performance Reporting

Performance reporting represents a third method of demonstrating public accountability and encouraging improved performance. These periodic reports recount the results of public colleges and universities on priority indicators, similar to those found in performance funding and budgeting. On the other hand, since they have no formal link to funding, performance reports can have a much longer list of indicators than performance budgeting and especially performance funding. The reports are usually sent to governors, legislators, and campus leaders, and often to the media. They use publicity rather than funding or budgeting to stimulate colleges and universities to improve their performance (Burke and Minassians 2002).

In the last two years, the number of states with performance reporting jumped from 30 to 44. This large increase undoubtedly stems from the concerns that both preceded and followed the publication on November 30th of *Measuring Up 2000* (The National Center 2000). That *Report Card* graded states from A to F on each of the five categories of college *Preparation, Participation, Affordability, Completion, and Benefits*. It gave an incomplete to all states on a sixth Category, *Student Learning*, since its authors determined that no reliable and comparable national data existed for assessing performance in this area. Nine states initiated performance reporting in 2001, the year following the issuance of the first Report Card, and five adopted it this year.

**Table 10. States with Performance Reporting**

|                |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fourth<br>2000 | 30 states<br>(60%) | Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, New Jersey, New Mexico, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming                                                                                                                                            |
| Fifth<br>2001  | 39 states<br>(78%) | Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming                                                  |
| Sixth<br>2002  | 44 states<br>(88%) | Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming |

In June of 2000, we asked SHEFOs about the level of concern in their agencies over the impending publication of *Measuring Up 2000*. Very concerned was cited by 3.4 percent and 35 percent said moderate concern, while 24 percent claimed only minimal, and 7 percent no concern. The others could not assess the concern or did not respond to the question. Whatever those responses, the publication of the report cards clearly reawakened interest in performance reporting.

Continuance of the current reporting programs seems beyond doubt, but the percent of states that seem highly likely to continue performance reporting has dropped, since SHEFOs from California and Colorado now rate continuance as only likely. The Sixth Survey shows just six states without performance reporting. Montana is highly likely and New York likely to adopt it, while Delaware and Nevada are unlikely, and Arkansas and Nebraska highly unlikely to start it. Delaware is one of two states without at least one performance program and is perennially among the least likely to adopt one.

In the past, performance reporting — as noted earlier — seemed to set the stage for performance funding and to a lesser extent performance budgeting. For example, performance reporting preceded initiation of performance funding in 13 of the 18 states that currently have the funding program. Tennessee started both in the same year and New York has no reporting program. The other three states began performance reporting after funding. Reporting also preceded budgeting in 15 of the 26 programs in place in 2002. Some of the comments from SHEFOs this year suggest that the reverse is beginning to occur. State leaders confronted with budget shortfalls are starting to substitute performance reporting for performance funding and budgeting as an alternative that creates no requirement or even expectation for increased funding whatever the performance levels.

The perceived impact of performance reporting on campus allocations in colleges and universities shown in Table 13 is surprising. Performance reporting has no formal connection to funding; indeed the absence of this link is seen as an asset of the program that explains its popularity. Although this policy has no official connection to budgeting, SHEFOs claimed this year that coordinating or system governing boards in 47 percent of the states with performance reports consider the results when making campus allocations. Last year's figure was 48 percent.

**Table 11. Likelihood of Continuing Performance Reporting**

| <b>2001</b>   |               |                                                                                                                                                                                                                                                                                                                                                               |
|---------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Highly Likely | 85%<br>(33)   | Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin |
| Likely        | 10%<br>(4)    | Alabama, Hawaii, Massachusetts, New Jersey                                                                                                                                                                                                                                                                                                                    |
| Unlikely      | 2.5%<br>(1)   | Wyoming                                                                                                                                                                                                                                                                                                                                                       |
| Cannot Judge  | 2.5%<br>(1)   | Washington                                                                                                                                                                                                                                                                                                                                                    |
| <b>2002</b>   |               |                                                                                                                                                                                                                                                                                                                                                               |
| Highly Likely | 70.5%<br>(31) | Alabama, Alaska, Arizona, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Virginia, West Virginia, Wisconsin                         |
| Likely        | 25%<br>(11)   | California, Colorado, Maine, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, Vermont, Washington                                                                                                                                                                                                                                       |
| Cannot Judge  | 4%<br>(2)     | Hawaii, Wyoming                                                                                                                                                                                                                                                                                                                                               |

**Table 12. Likelihood of Adopting Performance Reporting\***

| <b>2001</b>     |              |                                          |
|-----------------|--------------|------------------------------------------|
| Highly Likely   | 18%<br>(2)   | Iowa, Oklahoma                           |
| Likely          | 18%<br>(2)   | Nebraska, New York                       |
| Unlikely        | 36%<br>(4)   | Delaware, Montana, Nevada, New Hampshire |
| Cannot Judge    | 27%<br>(3)   | Arkansas, Indiana, Vermont               |
| <b>2002</b>     |              |                                          |
| Highly Likely   | 16.7%<br>(1) | Montana                                  |
| Unlikely        | 33%<br>(2)   | Delaware, Nevada                         |
| Highly Unlikely | 33%<br>(2)   | Arkansas, Nebraska                       |
| Can't Predict   | 16.7%<br>(1) | New York                                 |

\* Percent based on the number of states without Performance Reporting program

A possible explanation is that 11 of the 20 states listed as yes for considering reporting results in campus allocations also have performance funding. In contrast, only five of the 24 states recorded as not considering performance reports in campus allocations also have performance funding. SHEFOs saying yes on considering allocations possibly did not separate the impact of performance funding from performance reporting. Indeed, several states, such as Missouri, South Carolina, and Tennessee, use the same indicators for both performance reporting and performance funding.

**Table 13. States that Consider Performance Reporting in the Allocation of Resources to Colleges and Universities**

| 2001        |               |                                                                                                                                                                                                                                                               |
|-------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yes         | 48%<br>(19)   | Alaska, Colorado, Hawaii, Idaho, Illinois, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Missouri, New Mexico, North Dakota, Rhode Island, South Carolina, South Dakota, Texas, Utah, West Virginia                                                    |
| No          | 43.5%<br>(17) | Alabama, Arizona, California, Connecticut, Florida, Georgia, Kansas, Mississippi, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Virginia, Washington, Wisconsin, Wyoming                                                                             |
| Don't Know  | 2.5%<br>(1)   | New Jersey                                                                                                                                                                                                                                                    |
| No response | 5%<br>(2)     | Michigan, Minnesota (did not respond to this question)                                                                                                                                                                                                        |
| 2002        |               |                                                                                                                                                                                                                                                               |
| Yes         | 45.5%<br>(20) | Alaska, Colorado, Florida, Idaho, Illinois, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Missouri, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, West Virginia                                              |
| No          | 54.5%<br>(24) | Alabama, Arizona, California, Connecticut, Georgia, Hawaii, Indiana, Iowa, Kansas, Kentucky, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, Rhode Island, Tennessee, Vermont, Virginia, Washington, Wisconsin, Wyoming |

### § State Performance Programs and the State Report Card

An obvious, although not necessarily fair, question is how did the states with performance reporting fare on the state report cards in *Measuring Up 2000*. Such comparisons are unfair, because the report cards from the National Policy Center assess statewide performance, while the state performance reports tend to stress institutional results along with statewide performance. Despite this difference, in 2001, we compared the states with one or more of the performance policies of budgeting, funding, and reporting to see if they fared better in the scoring than states without these programs. The results reveal that states with one or more of these performance programs received no better grades than those without them (Burke and Minassians 2002).

Many states with these performance programs did poorly on the report cards, in part because their indicators — unlike *Measuring Up 2000* — do not reflect statewide needs, such as high school performance, college going rates, college cost as a percent of family income, adult degree attainment, and the state's economic and civic benefits from higher education. Our study of the indicators used in 29 state performance reports show only three included adult degree attainment, two high school course taking, and one tuition and fees as a percent of family income, although seven included college going rates (Burke and Minassians 2002).

A number of states, including Kentucky, revised their performance reports to include these statewide indicators, undoubtedly in preparation of the second Score Card issued in September, *Measuring Up 2002*. Of course, different indicators would not necessarily raise the state grades, since researchers for The National Policy Center concede that race and ethnicity explains about 10 percent of the state scores and wealth and economic vitality about 25 percent (The National Center 2002, p. 22).

In 2002, we asked SHEFOs about the likelihood of their state revising its performance reports based on *Measuring Up 2000*. Only two percent said highly likely and 20 percent likely, while a third claimed unlikely and 9 percent highly unlikely. One-third of the SHEFOs could not predict their state's response. Actual revisions appeared even fewer than predicted. In response to another question on whether their state had changed its performance report based on *Measuring Up 2000*, SHEFOs replied yes in five States: Indiana, Oklahoma, Tennessee, Texas, and West Virginia. Only Oklahoma and West Virginia described the revision as considerable. Indiana claimed only minimal revisions. Actually, Oklahoma and West Virginia adopted the categories and the indicators of *Measuring Up 2000* as their own. In addition, external evidence suggests considerable revisions in Kentucky and Missouri.

Clearly, *Measuring Up 2000* spurred the growth of performance reporting, but apparently has had only a modest impact in changing the indicators used in those state reports. Our Sixth Survey occurred before the publication of the second Report Card, *Measuring Up 2002*. Only time will tell whether the second report card — which suggests little significant improvement in all the categories but preparation — will have on the performance reports (The National Center 2002). Unfortunately, the history of performance reporting in the states suggests the first report creates a stir that subsides as the series continues.

| <b>Table 14. How Likely your State will revise Performance Report Based on Measuring Up</b> |               |                                                                                                                                                          |
|---------------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Highly Likely                                                                               | 2.2%<br>(1)   | Oklahoma                                                                                                                                                 |
| Likely                                                                                      | 20.5%<br>(9)  | Alaska, Illinois, Kentucky, New Hampshire, New Mexico, North Carolina, Oregon, Texas, West Virginia,                                                     |
| Unlikely                                                                                    | 34.1%<br>(15) | Alabama, California, Georgia, Iowa, Maine, Maryland, Mississippi, New Jersey, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington |
| Highly Unlikely                                                                             | 9.1%<br>(4)   | Minnesota, North Dakota, Rhode Island, Wisconsin                                                                                                         |
| Cannot Predict                                                                              | 34.1%<br>(15) | Arizona, Colorado, Connecticut, Florida, Hawaii, Idaho, Indiana, Kansas, Louisiana, Maine, Michigan, Missouri, Ohio, South Carolina, Wyoming             |

**Table 15. Has your state revised performance report based on the Report Card Measuring Up**

|            |               |                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yes        | 11.4<br>(5)   | Indiana, Oklahoma, Tennessee, Texas, West Virginia                                                                                                                                                                                                                                                                                                                                                                 |
| No         | 86.4%<br>(38) | Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Virginia, Washington, Wisconsin |
| Don't Know | 2.3%<br>(1)   | Wyoming                                                                                                                                                                                                                                                                                                                                                                                                            |

**Table 15b. Continued = If Yes, to what extent?**

|                     |               |                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Considerable Extent | 4.5%<br>(2)   | Oklahoma, West Virginia                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Minimal Extent      | 2.3%<br>(1)   | Indiana                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| No answers          | 93.2%<br>(41) | Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin, Wyoming |

### § State Scores and Sources of Successes and Shortcomings

The state performance reports and the national report cards should support each other. The state performance report should include systemwide as well as institutional results. The national report card should not ignore institutional results, since statewide results are unlikely to improve without highlighting the connection between statewide and campus performance. Statewide results are the culmination of a performance chain that begins on campus.

*Measuring Up 2000* created considerable concern among state coordinating officials for higher education, but campus leaders may well feel they got a "bye" on accountability in the first round of report cards, since they did not include institutional results. Indeed, two of the essays in *Measuring Up 2002* seek to generate more interest by campus presidents and academic leaders in the report cards (pp. 64-68). The Kentucky Council On Postsecondary Education recognizes that some of the indicators must evaluate performance at the state level, such as college going, educational attainment, and high school course taking, while other measures should set institutional objectives to encourage changes directed toward the system wide goals (Kentucky Council on Postsecondary Education, March 19, 2001). Although *Measuring Up* is directed at state policy makers, it lets governors and legislatures "off the accountability hook" by not including a graded indicator of state

funding for higher education. After all, the level of funding represents the most critical state policy decision for higher education.

Our new book on performance reporting seeks to fix responsibility for performance results by suggesting a limited list of common indicators for use in the national, state, system, and institutional reports on performance. Such a common list would allow policy makers at every level to track the sources of successes and shortcomings in higher education performance down and up the performance chain (Burke and Minassians 2002; see also Burke, Minassians, and Yang 2002). *Measuring Up 2000 and 2002* gives the state scores on its extensive list of indicators, but the lack of a common set of indicators for state, systems, and institutions means that it cannot identify the source of the problems.

## **§ Impact on Campus Performance**

Of course, the bottom line in assessing performance funding, budgeting, and reporting is the extent to which each improves the performance of colleges and universities. A realistic assessment is still premature, since many of these programs are products of the mid to late 1990s, and most have been implemented for only a few years. However, it is not too early to begin a preliminary assessment of their effect on performance.

Last year, 42 percent of the SHEFOs claimed it was too early to evaluate the effect of performance funding on institutional improvement. This year that figure dropped to 28 percent. The other comparisons between the responses of the impact of performance funding on improvement in 2001 and 2002 remain similar, except for moderate extent, which shows a sizeable increase. These results are down from those in 2000 when 35 percent claimed great or considerable impact on improvement. Undoubtedly, better funding explains the greater impact in 2000. In that year, finance officers from South Carolina and Tennessee cited great extent, while those from Connecticut, Missouri, Ohio, and Oklahoma claimed considerable extent. In 2002, Connecticut still appeared in great extent and Ohio in considerable extent, but Tennessee had slipped to considerable extent and Missouri and South Carolina had fallen to moderate extent. Undoubtedly, budgetary problems that suspended or reduced allocations for performance funding explain this lowered assessment of impact on performance.

Program longevity and funding seems to make a difference since Tennessee, Missouri, Ohio, and South Carolina have had performance funding for some time and have supported them with sizeable sums, at least in past years. Although Florida's effort has existed for six years, its university sector has received scant funding in the last few budgets. (The new statewide governing agency proposes to end this practice by allocating ten percent of state support to campus results). Even respondents rating their program's effect on improvement as low say that performance funding has caused campus leaders to concentrate more on institutional performance.

This year's responses on the impact of performance budgeting on campus performance reveal only a slight slip in impact since 2001. No SHEFO now claims great extent in performance improvement, but moderate extent is slightly higher. More respondents say they cannot judge the impact, while fewer claim little or no impact. The responses for budgeting show somewhat less impact on campus improvement than performance funding.

*Table 16. Extent of Performance Funding that Improved the Performance of Public Colleges and/or Universities*

| 2001                |              |                                                                                 |
|---------------------|--------------|---------------------------------------------------------------------------------|
| Great Extent        | 5%<br>(1)    | Missouri                                                                        |
| Considerable Extent | 16%<br>(3)   | Ohio, South Dakota, Tennessee                                                   |
| Moderate Extent     | 16%<br>(3)   | Connecticut, Idaho, South Carolina                                              |
| Minimal Extent      | 16%<br>(3)   | Florida, Louisiana, Oregon                                                      |
| No Extent           | 5%<br>(1)    | New Jersey                                                                      |
| Cannot Judge        | 42%<br>(8)   | Arkansas, California, Colorado, Illinois, Kansas, New York, Pennsylvania, Texas |
| 2002                |              |                                                                                 |
| Great Extent        | 5.6%<br>(1)  | Connecticut                                                                     |
| Considerable Extent | 16.7%<br>(3) | Ohio, South Dakota, Tennessee                                                   |
| Moderate Extent     | 27.8%<br>(5) | Colorado, Idaho, Louisiana, Missouri, South Carolina                            |
| Minimal Extent      | 16.7%<br>(3) | Florida, Oregon, Pennsylvania,                                                  |
| No Extent           | 5.9%<br>(1)  | Kansas                                                                          |
| Cannot Judge        | 27.8%<br>(5) | Illinois, New Jersey, New York, Oklahoma, Texas                                 |

The perceived impact of reporting on performance has remained fairly constant for the last two years despite rapid growth in the number of programs. The surprise is that SHEFOs think that performance reporting has had slightly more effect on improvement than performance budgeting and only marginally less effect than performance funding. This result would seem to support the claim of some state leaders that performance reporting gives them nearly the same or more impact on improvement than performance funding or budgeting, without the required or expected cost of those two programs.

**Table 17. Extent of Performance Budgeting that Improved Performance of Public Colleges and Universities**

| 2001                |               |                                                                                            |
|---------------------|---------------|--------------------------------------------------------------------------------------------|
| Great Extent        | 3.7%<br>(1)   | Missouri                                                                                   |
| Considerable Extent | 7.5%<br>(2)   | Louisiana, Maine                                                                           |
| Moderate Extent     | 33.3%<br>(9)  | Connecticut, Hawaii, Idaho, Illinois, Iowa, Maryland, Michigan, Oklahoma, Oregon           |
| Minimal Extent      | 18.5%<br>(5)  | Florida, Mississippi, Nebraska, New Mexico, Virginia                                       |
| No Extent           | 15%<br>(4)    | Georgia, Nevada, Washington, Wisconsin                                                     |
| Cannot Judge        | 22%<br>(6)    | Alabama, California, Kansas, North Carolina, Texas, Utah                                   |
| 2002                |               |                                                                                            |
| Considerable Extent | 7.7%<br>(2)   | Louisiana, North Carolina                                                                  |
| Moderate Extent     | 38.5%<br>(10) | California, Hawaii, Idaho, Maryland, Michigan, Missouri, Nevada, New Mexico, Utah, Vermont |
| Minimal Extent      | 15.4%<br>(4)  | Connecticut, Illinois, Nebraska, Virginia                                                  |
| No Extent           | 7.7%<br>(2)   | Georgia, Mississippi                                                                       |
| Cannot Judge        | 30.8%<br>(8)  | Arkansas, Florida, Iowa, Kansas, Maine, Oklahoma, Texas, Wisconsin                         |

One question is whether the SHEFOs can discriminate the varying impacts on improvement of performance funding, budgeting, and reporting in the states that have one, two, or all three of these programs. For example, nine states have all three programs: Connecticut, Florida, Idaho, Illinois, Kansas, Louisiana, Missouri, Oklahoma, and Texas. Our analysis suggests that they can discriminate between the multiple impacts of the individual performance programs, since they rate each of the funding, budgeting, and reporting initiatives differently in assessing their impact on improvement. It is certainly too soon to conclude that performance reporting gives state policy makers at least or nearly as much "bang" for "no bucks," especially in a year when states had few bucks for performance funding. But the 2002 Survey suggests that SHEFOs — in a bad budget year — perceive that reporting has slightly more impact on improvement than budgeting and slightly less than funding.

Still, bad budget years — when some states have suspended allocations for performance funding — is hardly a fair time to test the relative impact of reporting, funding, or budgeting on improvement. In 2000, when states provided additional allocation for higher education, SHEFOs said performance funding had improved campus results to a great or considerable extent in over 35

percent of the states with that program. Conversely, performance budgeting had a similar impact in only 18 percent of the states, and performance reporting in just 17 percent. In other words, in periods of better budgets, SHEFOs considered the great or considerable impact of performance funding on campus improvement as double that of performance reporting and nearly double that of performance budgeting.

**Table 18. Extent of Performance Reporting that Improved Performance of Public Colleges and/or Universities**

| 2001                |               |                                                                                                                                                      |
|---------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Considerable Extent | 13%<br>(5)    | Kentucky, Michigan, Missouri, South Carolina, West Virginia                                                                                          |
| Moderate Extent     | 36%<br>(14)   | Hawaii, Idaho, Illinois, Louisiana, Maryland, New Jersey, New Mexico, North Carolina, Pennsylvania, South Dakota, Tennessee, Utah, Virginia, Wyoming |
| Minimal Extent      | 15%<br>(6)    | Arizona, California, Florida, Massachusetts, Mississippi, Wisconsin                                                                                  |
| No Extent           | 8%<br>(3)     | Alabama, Rhode Island, Washington                                                                                                                    |
| Cannot Judge        | 28%<br>(11)   | Alaska, Colorado, Connecticut, Georgia, Kansas, Maine, Minnesota, North Dakota, Ohio, Oregon, Texas                                                  |
| 2002                |               |                                                                                                                                                      |
| Considerable Extent | 13.6%<br>(6)  | Iowa, Michigan, North Carolina, South Carolina, Tennessee, West Virginia                                                                             |
| Moderate Extent     | 34.1%<br>(15) | Alaska, Colorado, Florida, Hawaii, Illinois, Kentucky, Louisiana, Maryland, Missouri, New Mexico, South Dakota, Utah, Vermont, Washington, Wisconsin |
| Minimal Extent      | 22.7%<br>(10) | California, Connecticut, Idaho, Massachusetts, New Hampshire, New Jersey, Oklahoma, Oregon, Pennsylvania, Wyoming                                    |
| No Extent           | 4.5%<br>(2)   | Arizona, Mississippi                                                                                                                                 |
| Cannot Judge        | 25.0%<br>(11) | Alabama, Georgia, Indiana, Kansas, Maine, Minnesota, North Dakota, Ohio, Rhode Island, Texas, Virginia                                               |

### § A Common and Fatal Flaw

Results from our previous surveys of state and campus leaders and our other studies on performance funding and performance reporting reveal a common fatal flaw. Those surveys show that both programs become increasingly invisible on campuses below the level of vice presidents, because of the failure to extend performance funding and reporting to the internal academic units on campus (Serban 1997; Burke and Associates 2002; Burke and Minassians 2002). These studies conclude that performance funding and reporting are unlikely to improve substantially the

performance of colleges and universities unless they extend funding and reporting programs down to academic departments. The anomaly of all three accountability programs — funding, budgeting, and reporting — is that they hold states, systems, and colleges and universities responsible for performance, but campus leaders do not apply that same responsibility to the internal divisions that are largely responsible for producing institutional results.

## § Findings

Three general findings dominate the Sixth SHEFO Survey: the spread of performance reporting, the impact of bad budgets, and the predominance of accountability programs. More specific findings include the following:

- Performance reporting has become by far the preferred approach to accountability;
- *Measuring Up 2000* continued to spur interests in statewide performance reporting;
- State policy makers, especially legislators, see performance reporting as a "no cost" alternative to performance funding and performance budgeting;
- Budget problems since our 2001 Survey are eroding support for performance funding and budgeting;
- SHEFO predictions suggest that the persistence of deep budget problems will further diminish prospects for performance funding and perhaps performance budgeting; and
- A connection is needed between the statewide focus of *Measuring Up 2000* with the state and institutional emphasis of the state performance reporting.

## § Conclusion

After six years of surveys, some conclusions are clear, although each year seems to produce surprises that cloud that clarity. The drive toward accountability for performance has swept the country. Performance reporting is clearly the preferred program. It has spread to nearly all of the states, while the number of states with performance budgeting and funding has declined slightly. Bad budgets have spurred interest in state capitals in performance reporting as a "no cost" alternative to performance funding and budgeting. Only time will tell whether reporting is really a "no cost" approach to accountability or merely wishful thinking of legislators in bad budget times.

An obvious problem is how to provide the missing link between the statewide focus of the State Report Cards and the institutional emphasis of the State Performance Reports. We suggest a limited list of common indicators to connect the chain of performance campuses to states. At this point, one conclusion is clear. None of the performance programs of accountability for higher education and colleges and universities will ever work unless they reach down to the units really responsible for many results — the academic departments.

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## Appendix A

| <i>Characteristics of Performance Budgeting</i> |               |          |            |                                       |
|-------------------------------------------------|---------------|----------|------------|---------------------------------------|
| State                                           | Adoption Year | Mandated | Indicators | Initiation                            |
| Alabama                                         | 2000          | Yes      | Yes        | Governor                              |
| California                                      | 2000          | No       | No         | Governor, System Boards               |
| Connecticut                                     | 1999          | Yes      | No         | Governor, University System           |
| Florida                                         | 1994          | Yes      | No         | Governor, Legislature                 |
| Georgia                                         | 1993          | Yes      | No         | Governor                              |
| Hawaii                                          | 1975          | Yes      | No         | Governor, Legislature                 |
| Idaho                                           | 1996          | Yes      | No         | Legislature                           |
| Illinois                                        | 1984          | No       | No         | Coordinating Board, University System |
| Iowa                                            | 1996          | Yes      | No         | Governor                              |
| Kansas                                          | 1995          | No       | No         | Coordinating Board                    |
| Louisiana                                       | 1997          | Yes      | No         | Legislature                           |
| Maine                                           | 1998          | Yes      | No         | Governor                              |
| Maryland                                        | 2000          | No       | No         |                                       |
| Massachusetts                                   | 1999          | No       | No         | Legislature, Coordinating Board       |
| Michigan                                        | 1999          | No       | No         | Governor                              |
| Mississippi                                     | 1992          | Yes      | No         | Legislature                           |
| Missouri                                        | 1999          | No       | No         | Governor, Coordinating Board          |
| Nebraska                                        | 1991          | No       | No         | Coordinating Board                    |
| Nevada                                          | 2000          | No       | Yes        | Governor                              |
| New Jersey                                      | 1999          | No       | No         | Governor                              |
| New Mexico                                      | 1999          | Yes      | No         | Legislature                           |
| North Carolina                                  | 1996          | Yes      | No         | Governor                              |
| Oklahoma                                        | 1991          | No       | No         | Coordinating Board                    |
| Oregon                                          | 1998          | No       | No         | Coordinating Board                    |
| Texas                                           | 1991          | Yes      | Yes        | Legislature                           |
| Utah                                            | 2000          | No       | No         | Legislature, Coordinating Board       |
| Virginia                                        | 1999          | No       | No         | Governor,                             |
| Washington                                      | 1999          | Yes      | Yes        | Legislature                           |
| Wisconsin                                       | 2000          | No       | No         | Coordinating Board                    |

| <i>Characteristics of Performance Funding</i> |               |         |            |                                           |
|-----------------------------------------------|---------------|---------|------------|-------------------------------------------|
| State                                         | Adoption Year | Mandate | Indicators | Initiation                                |
| Arkansas                                      | 2001          | Yes     | No         | Legislature                               |
| California                                    | 1998          | No      | No         | Community College System                  |
| Colorado                                      | 2000          | Yes     | No         | Legislature                               |
| Connecticut                                   | 1985          | Yes     | No         | Coordinating Board                        |
| Florida                                       | 1994          | Yes     | Yes        | Governor, Legislature                     |
| Idaho                                         | 2000          | No      | No         | Coordinating Board                        |
| Illinois                                      | 1998          | No      | No         | Coordinating Board, College System        |
| Kansas                                        | 2000          | Yes     | No         | Governor, Legislature                     |
| Louisiana                                     | 1997          | No      | No         | Coordinating Board                        |
| Missouri                                      | 1991          | No      | No         | Coordinating Board                        |
| New Jersey                                    | 1999          | No      | No         | Governor, Coordinating Board              |
| New York                                      | 1999          | No      | No         | University System                         |
| Ohio                                          | 1995          | Yes     | Yes        | Coordinating Board                        |
| Oregon                                        | 2000          | No      | No         | Coordinating Board                        |
| Pennsylvania<br>(State System)                | 2000          | No      | No         | University System                         |
| South Carolina                                | 1996          | Yes     | Yes        | Legislature                               |
| South Dakota                                  | 1997          | No      | No         | Governor, Legislature, Coordinating Board |
| Tennessee                                     | 1979          | No      | No         | Coordinating Board                        |
| Texas                                         | 1999          | Yes     | Yes        | Legislature                               |

| <b>Performance Reporting</b>    |                  |                     |
|---------------------------------|------------------|---------------------|
| <b>Program Initiation</b>       |                  |                     |
| <b>Mandated/ Prescribed</b>     | <b>Adoption</b>  | <b>First Report</b> |
| Alaska                          | 2000             | 2000                |
| Colorado                        | 1996             | 1999                |
| Florida                         | 1991             | 1993                |
| New Jersey                      | 1994             | 1996                |
| South Carolina                  | 1992             | 1996                |
| Texas                           | 1997             | 1999                |
| Washington                      | 1997             | 1999                |
| West Virginia                   | 1991             | 1992                |
| Wyoming                         | 1995             | 1997                |
| <b>Mandated/ Not Prescribed</b> | <b>Initiated</b> | <b>First Report</b> |
| Arizona                         | 1995             | 1997                |
| California                      | 1991             | 1992                |
| Connecticut                     | 2000             | 2001                |
| Georgia                         | 2000             | 2001                |
| Hawaii                          | 1996             | 1997                |
| Iowa                            | 2001             |                     |
| Kentucky                        | 1997             | 1997                |
| Louisiana                       | 1997             | 2001                |
| Maryland                        | 1991             | 1996                |
| Massachusetts                   | 1997             | 1998                |
| Michigan                        | 2000             | 2001                |
| Minnesota                       | 2000             | 2000                |
| Mississippi                     | 1992             |                     |
| North Carolina                  | 1991             | 1999                |
| North Dakota                    | 1999             | 2000                |
| Utah                            | 1995             | 1997                |
| Vermont                         | 2002             |                     |
| Virginia                        | 1995             | 2001                |

| <i>Performance Reporting (Continued)</i> |                  |                     |
|------------------------------------------|------------------|---------------------|
| <b>Not Mandated</b>                      | <b>Initiated</b> | <b>First Report</b> |
| Alabama                                  | 1982             | 1983                |
| Idaho                                    | 1991             | 1999                |
| Illinois                                 | 1997             | 1999                |
| Indiana                                  | 2002             |                     |
| Kansas                                   | 2001             |                     |
| Maine                                    | 2000             | 2001                |
| Missouri                                 | 1992             | 1993                |
| New Hampshire                            | 2002             |                     |
| New Mexico                               | 1998             | 1998                |
| Ohio                                     | 1999             | 2000                |
| Oklahoma                                 | 1997             | 2000                |
| Oregon                                   | 1997             | 1999                |
| Pennsylvania                             | 1997             | 2000                |
| Rhode Island                             | 1998             | 1998                |
| South Dakota                             | 1995             | 2001                |
| Tennessee                                | 1989             | 1990                |
| Wisconsin                                | 1993             | 1996                |

**Appendix B**  
**SURVEY OF STATE HIGHER EDUCATION**  
**FINANCE OFFICERS PERFORMANCE**  
**REPORTING, FUNDING, AND BUDGETING**  
**JULY 2002**

NAME: \_\_\_\_\_

STATE: \_\_\_\_\_

PHONE #: \_\_\_\_\_

---

**Definitions:**

***Performance funding:*** Ties specified state funding directly and tightly to the performance of public campuses on performance indicators.

***Performance budgeting:*** Allows governors, legislators, and coordinating or system boards to consider campus achievement on performance indicators as one factor in determining public campus allocations.

---

**Section One: Performance Funding**

- 1) Does your state currently have **performance funding** for public colleges and/or universities?      Yes ☐      No ☐
- 

If Yes,

- 2) What is the percent of funding allocated to performance funding for public colleges and/or universities in your state? \_\_\_\_\_ %
- 3) Was it mandated by legislation?      Yes ☐      No ☐
- 4) Were the indicators prescribed by legislation?      Yes ☐      No ☐
- 5) Of the following, what individual or group(s) initiated **performance funding**?
- |                              |                          |
|------------------------------|--------------------------|
| Governor                     | <input type="checkbox"/> |
| Legislature                  | <input type="checkbox"/> |
| Coordinating board or agency | <input type="checkbox"/> |
| University system(s)         | <input type="checkbox"/> |
| Other (please specify)       | <input type="checkbox"/> |
-

- 6) In your opinion, to what extent has **performance funding** improved the performance of public colleges and/or universities in your state?

Great Extent ☐ Considerable Extent ☐ Moderate Extent ☐  
Minimal Extent ☐ No Extent ☐ Cannot Judge ☐

- 7) How likely is it that your state will continue performance funding for public higher education over the next five years?

Highly Likely ☐ Likely ☐ Unlikely ☐ Highly Unlikely ☐  
Cannot Predict ☐

**If no,**

- 8) How likely is it that your state will adopt **performance funding** for public higher education in the next five years?

Highly Likely ☐ Likely ☐ Unlikely ☐ Highly Unlikely ☐  
Cannot Predict ☐

**Section Two: Performance Budgeting**

- 9) Does your state currently have **performance budgeting** for public colleges and/or universities? Yes ☐ No ☐

**If Yes,**

- 10) Was it mandated by legislation? Yes ☐ No ☐

- 11) Were the indicators prescribed by legislation? Yes ☐ No ☐

- 12) Of the following, what individual or group(s) initiated **performance budgeting**?

Governor ☐  
Legislature ☐  
Coordinating board or agency ☐  
University system(s) ☐  
Other (please specify) ☐

- 13) In your opinion, to what extent has **performance budgeting** improved the performance of public colleges and/or universities in your state?

Great Extent ☐ Considerable Extent ☐ Moderate Extent ☐  
Minimal Extent ☐ No Extent ☐ Cannot Judge ☐

- 14) How likely is it that your state will continue **performance budgeting** for public higher education over the next five years?
- Great Extent ☐ Considerable Extent ☐ Moderate Extent ☐  
Minimal Extent ☐ No Extent ☐ Cannot Judge ☐
- 15) Does the **performance budgeting** program earmark a certain dollar figure or percent of state support for allocation to colleges and universities? Yes ☐ No ☐
- 16) How would you describe the actual effect of performance budgeting in your state on the funding of public colleges and universities?
- Great Effect ☐ Considerable Effect ☐ Moderate Effect ☐  
Minimal Effect ☐ No Effect ☐ Cannot Judge ☐
- 

**If no,**

- 17) How likely is it that your state will adopt **performance budgeting** for public higher education in the next five years?
- Highly Likely ☐ Likely ☐ Unlikely ☐ Highly Unlikely ☐  
Cannot Predict ☐
- 18) Is **performance budgeting** used in your state for other state agencies besides higher education? Yes ☐ No ☐

**Section Three: Performance Reporting**

- 19) Does your state currently have **performance reporting** for public higher education?  
Yes ☐ No ☐
- 

**If Yes,**

- 20) Was it mandated by legislation? Yes ☐ No ☐
- 21) Were the indicators prescribed by legislation? Yes ☐ No ☐
- 22) Of the following, what individual or group(s) initiated **performance reporting**?
- Governor ☐  
Legislature ☐  
Coordinating board or agency ☐  
University system(s) ☐  
Other (please specify) ☐
-

- 23) In your opinion, to what extent has **performance reporting** improved the performance of public colleges and universities in your state?
- Great Extent ☐      Considerable Extent ☐      Moderate Extent ☐  
Minimal Extent ☐      No Extent ☐      Cannot Judge ☐
- 24) How likely is it that your state will continue **performance reporting** for public higher education over the next five years?
- Highly Likely ☐      Likely ☐      Unlikely ☐      Highly Unlikely ☐  
Cannot Predict ☐
- 25) Do the coordinating and/or system governing boards consider performance reports in the allocation of resources to colleges and universities?      Yes ☐      No ☐
- 26) Has your State revised its performance report based on its scores on the state-by-state report card *Measuring Up 2000*, published by the National Center for Public Policy and Higher Education?      Yes ☐      No ☐

If Yes, to what extent?

- Great Extent ☐      Considerable Extent ☐      Moderate Extent ☐  
Minimal Extent ☐      No Extent ☐      Cannot Judge ☐
- 27) How likely is it that your state will revise its performance report in the future based on *Measuring Up 2000*?
- Highly Likely ☐      Likely ☐      Unlikely ☐      Highly Unlikely ☐  
Cannot Predict ☐

---

**If no performance reporting,**

- 28) How likely is it that your state will adopt **performance reporting** for public higher education in the next five years?
- Highly Likely ☐      Likely ☐      Unlikely ☐      Highly Unlikely ☐  
Cannot Predict ☐

**Comments:**

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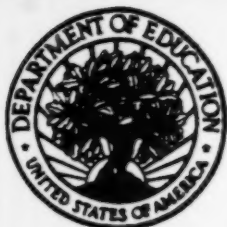


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